



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

January 30, 2008

William Dahlman, President
Employers Group
1150 South Olive, Suite 2300
Los Angeles, CA 90015

Dear Mr. Dahlman:

Enclosed is our final report relative to our review of Employers Group's compliance with Employment Training Panel Agreement No. ET03-0103 for the period July 8, 2002 through July 7, 2004.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment B to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

Original signed by

Charles Rufo
Audit Director

Enclosures

cc: Jeffrey Hull, Director of State-Funded Training

SACRAMENTO CENTRAL OFFICE
1100 J Street, 4th Floor
SACRAMENTO, CA 95814
(916) 327-5640

N. HOLLYWOOD REGIONAL OFFICE
4640 Lankershim Blvd., Suite 311
NORTH HOLLYWOOD, CA 91602
(818) 755-1313

S.F. BAY AREA REGIONAL OFFICE
1065 East Hillsdale Blvd, Suite 415
FOSTER CITY, CA 94404
(650) 655-6930

SAN DIEGO REGIONAL OFFICE
5353 Mission Center Road, Suite 110
SAN DIEGO, CA 92108
(619) 686-1920

EMPLOYERS GROUP

ET03-0103

Final Review Report

For The Period

July 8, 2002 through July 7, 2004

Report Published January 30, 2008

Charles Rufo, Audit Director
Telephone: (916) 327-5439

Audit Staff: Margie Miramontes

Employment Training Panel
Audit Unit
1100 J Street FL 4
Sacramento CA 95814-2827

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REVIEW REPORT

Summary

We reviewed Employers Group's compliance with Agreement No. ET03-0103, for the period July 8, 2002 through July 7, 2004. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period, February 8, 2006 through June 15, 2006, except for Finding No. 2, for which our report is dated October 2, 2006.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$1,597,844.50. Our review supported \$1,590,873.50 as allowable. The balance of \$6,971 is disallowed and must be returned to ETP. The disallowed costs resulted from 10 trainees who were not employed in an occupation specified in the Agreement and 1 trainee who did not meet post-training retention requirements.

REVIEW REPORT (continued)

Background

Employers Group is a private, non-profit organization founded in 1896, formerly known as Merchants and Manufacturers Association. It was created to assist California employers with human resource-related information and management. It currently provides training workshops, employment law updates, roundtables, professional certificate programs, customized consulting and training and insurance services.

This Agreement was the second training project between ETP and Employers Group. This Agreement provided for training in Continuous Improvement, Management Skills, Business Skills, Computer Skills, Advanced Technology and Literacy Skills, including Vocational English as a Second Language.

This Agreement allowed Employers Group to receive a maximum reimbursement of \$1,875,275 for retraining 2,901 employees. During the Agreement term, the Contractor placed 2,536 trainees and was reimbursed \$1,597,844.50 by ETP.

Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a single participating employer for 90 consecutive days (or 500 hours within 150 days if participating in a recognized Work Share Program) after completing training, and the retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$1,590,873.50 of the \$1,597,844.50 paid to the Contractor under this Agreement is allowable. The balance of \$6,971 is disallowed and must be returned to ETP.

REVIEW REPORT (continued)

Appeal Rights If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

Records Please note the ETP Agreement, Paragraph 5.a.1. requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: June 15, 2006, except for Finding No. 2, for which our report is dated October 2, 2006.

SCHEDULE 1 – Summary of Review Results

EMPLOYERS GROUP

AGREEMENT NO. ET03-0103

FOR THE PERIOD

JULY 8, 2002 THROUGH JULY 7, 2004

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$1,597,844.50</u>	
Disallowed Costs:		
Ineligible Trainee Occupations	\$6,415	Finding No. 1
Post-Training Retention Requirement Not Met	<u>556</u>	Finding No. 2
Total Costs Disallowed	<u>\$6,971</u>	
Training Costs Allowed	<u>\$1,590,873.50</u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Ineligible Trainee Occupations

Employers Group claimed reimbursement for 10 trainees who were not employed after training in one of the occupations specified in the agreement. As a result, we have disallowed \$6,415 in training costs claimed for these ten trainees (One Job No. 1, Five Job No. 7 and One Job No. 11 at \$556 per trainee; One Job No. 2 trainee at \$667; One Job No. 4 trainee at \$1,001; and One Job No. 9 trainee at \$855).

Exhibit A, Chart 1 of the Agreement between ETP and Employers Group states, “The Contractor may not enroll or use ETP funds to train any senior level Managers or executive staff who set company policy.”

Exhibit A, VII. A. of the Agreement states, “Employment for each trainee shall be in the occupations listed in [the Agreement]....” The occupations identified were for frontline staff, Managers, and Supervisors, none of the occupations listed were for senior level managers or executive staff.

Information obtained from the Participating Employers indicated that ten trainees were employed as senior level managers or in an executive staff positions. The trainees are shown below with the corresponding position title.

Trainee No.	Position Title
1	Vice President of Sales
2	Senior Vice President/Chief Financial Officer
3	President
4	Chief Operating Officer
5	Chief Financial Officer
6	Director of Finance
7	Vice President/Chief Information Officer
8	Vice President, Finance
10	Senior Vice President/Workers Compensation Claims
11	Executive Vice President

Recommendation Employers Group must return \$6,415 to ETP. In the future, Employers Group should ensure all trainees are employed in occupations identified in the Agreement before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Employment information for one Job No. 7 trainee shows the
Post-Training Retention Requirement Not Met
trainee did not complete the required post-training retention period. As a result, we disallowed \$556 in training costs claimed for this trainee.

Exhibit A, paragraph VII. A. of the Agreement states, “Each trainee must be employed full-time, at least 35 hours per week... for a period of at least ninety (90) consecutive days or if participating in a recognized Work Share program as defined in Section 1279.5 of the Unemployment Insurance Code, for 500 hours within 150 days, immediately following the completion of training...”

Employers Group reported that Trainee No. 9 completed a post-training retention period from May 1, 2003, through July 29, 2003. However, the employer for Trainee No. 9 reported the trainee did not resign voluntarily, and the last day of employment was May 21, 2003. Thus, the trainee did not complete 90 days of full-time employment.

Recommendation Employers Group must return \$556 to ETP. In the future, Employers Group should ensure that trainees meet post-training retention requirements prior to claiming reimbursement from ETP.

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET03-0103 and should not be used for any other purpose.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006